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ADMINISTRATIVE MATTERS

Activities of the Joint Inspection Unit

Report by the Director-General

Addendum

1. The present document constitutes an update to the information contained in document IDB.22/6 in order to reflect recent Joint Inspection Unit (JIU) reports on private sector involvement and cooperation with the United Nations system (JIU/REP/99/6) and policies and practices in the use of the services of private management consulting firms in the organizations of the United Nations system (JIU/REP/99/7).

Private sector involvement and cooperation with the United Nations system (JIU/REP/99/6)

2. The objective of the report was to analyse the lines along which a new partnership between the United Nations system and the private sector could be developed and how the existence of areas of mutual interest and benefit could translate concretely into actions to promote better understanding, so as to better serve the goals of the Organization as a whole.

3. The JIU noted that the United Nations system and the private sector demonstrate an increasing interest in each other as well as a willingness to cooperate more and better, as a result of a fast-evolving environment and changing circumstances. However, the objectives and nature of the partnership envisaged need to be clarified; the report draws a number of recommendations and suggestions in that sense. The report also shows that the private sector is already actively engaged in many United Nations activities, whether they are operational or related to the formulation of policy.

4. The report contains the following recommendations:

Recommendation 1: The participating organizations should set realistic objectives and expectations for their partnership with the private sector. Those objectives and expectations should be clearly enunciated and publicized, possibly through the adoption of a strategic document on

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that issue to be prepared by respective secretariats and endorsed by governing bodies;

Recommendation 2: The secretariats of the participating organizations should: (a) carry out outreach programmes targeting the private sector; and (b) designate a focal point in each organization, or at least identify easily accessible units, to serve the needs of the business community for information and assistance;

Recommendation 3: Participating organizations should: (a) ensure the presence of the United Nations representatives at relevant business events and organize joint encounters; and (b) encourage as wide as possible a participation from the private sector in their relevant activities, with special attention to enterprises (and their associations) based in developing countries and/or countries in transition;

Recommendation 4: The working group established by the Secretary-General's Senior Management Group should proceed with drafting guidelines on relations with the private sector and ensure that those guidelines are promptly disseminated throughout the Secretariat, as well as the Funds and Programmes. Those guidelines should draw on the important work that has been undertaken by some Funds and Programmes;

Recommendation 5: United Nations agencies that have not yet done so should adopt a set of guidelines, taking into consideration the work carried out by the working group mentioned in recommendation 4. Those guidelines should include a statement of principles as well as a description of procedures to be followed for dealings with the private sector;

Recommendation 6: Participating organizations should examine whether their respective staff rules and regulations are sufficient to guarantee that staff members do not hold a financial interest in commercial enterprises with which a partnership is envisaged;

Recommendation 7: Concerned offices in all participating organizations should speed up internal processes and establish specific time-frames, within the framework of existing rules and regulations, to ensure that bureaucratic procedures and lengthy time of response do not discourage initiatives from the private sector;

Recommendation 8: Suitable mechanisms for the sharing of information and best practices with regard to relations with the private sector should be established, using the Administrative Committee on Coordination structure as appropriate, to ensure consistency of policy and harmonization of relevant procedures throughout the United Nations system.

5. UNIDO welcomes this report and agrees with its recommendations. In the area of UNIDO's mandate, involvement of and cooperation with the private sector is an essential precondition for making our support effective and linking it with the business community as the key driver of industrial development. UNIDO has already complied with many of the recommendations and is in the process of following up on others. Specifically, a focal point for dealing with the private sector has been established (the Private Sector Development Branch) and a strategic document containing a set of guidelines, principles, approaches and modalities of cooperating with the private sector is being elaborated.

Policies and practices in the use of the services of private management consulting firms in the organizations of the United Nations system (JIU/REP/99/7)

6. The main objectives of the report are: first, to examine the policies and practices governing the use of private management consulting firms by the organizations of the United Nations system; secondly, to determine what practical advantages and disadvantages have resulted from the use of such firms; thirdly, to draw conclusions regarding system-wide standards, guidelines and procedures in that area, paying due regard to internal and external oversight services as a primary source of expertise in the management field; and, fourthly, to formulate recommendations designed to improve present policies and practices with a view to regulating the use of such firms.

7. The recommendations of JIU are summarized below:

Recommendation 1: Policy framework. The participating organizations should elaborate policies, standards and procedures concerning the utilization of management consulting firms, together with explicit and rational assessment criteria, for submission to their legislative organs. The organizations should, in particular, develop flexible guidelines for subcontracting, feasibility studies, procedures and checklists for the call for bids, methods for evaluating potential consulting firms and procedures for overseeing control and follow-up;

Recommendation 2: Monitoring and control. The organizations should ensure that they count with adequate internal expertise and means to monitor as closely as possible the performance of management consulting firms, including their transfer of new management skills to the organization so as to ensure the creation and preservation of institutional memory;

Recommendation 3: Follow-up actions. The organizations should conduct *ex post facto* evaluations of the performance and extent of implementation of the recommendations of management consulting firms and should share, as appropriate, the results of such evaluations;

Recommendation 4: Inter-organization cooperation and coordination. The organizations should reinforce

system-wide cooperation and coordination in the use of management consulting firms;

Recommendation 5: Conflicts of interest. The organizations should guard against possible conflicts of interest when awarding contracts to management consulting firms or when hiring former agents or personnel of these firms;

Recommendation 6: Regionally-based firms. As a cost-saving measure, preference should be given to regionally-based firms with the required expertise and qualifications, when available;

Recommendation 7: Rotation policy. The organizations should adopt a policy of rotating management consulting firms to ensure that they derive the broadest possible benefits from their relations with such firms;

Recommendation 8: Language and country of publication of advertisements for international biddings. The organizations are urged to advertise for international biddings in as many official languages and in as many countries as possible.

8. UNIDO welcomes this report, takes note of the recommendations made by the inspectors and offers the following comments:

Recommendations 1 and 2: The award of contracts and the bidding process and time-frame for processing contracts are stipulated in an administrative circular (UNIDO/DGB(O).48/Rev.1 of 20 April 1998). The procedures for monitoring and control are also stipulated therein;

Recommendation 3: An administrative instruction refers to follow-up activities covering evaluation needs: (a) contractor performance and (b) achievement of objectives and impact (Director-General's Administrative Instruction No. 9, Addendum 1 of 20 December 1998, para. 27);

Recommendation 4: UNIDO is involved through the Inter-Agency Procurement Service Organization. UNIDO also coordinates with other Vienna-based organizations (United Nations Office at Vienna, International Atomic Energy Agency and Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization) on matters pertaining to procurement of services from management consulting firms;

Recommendation 5: UNIDO procedures and guidelines ensure that no self-interest or conflict is involved when awarding contracts. Technical and financial bids are evaluated separately;

Recommendations 6 and 7: Support to regionally-based firms is preferred by UNIDO, provided the required expertise is available. By the same token, UNIDO also supports the rotation of consulting firms;

Recommendation 8: Severe financial constraints restrict the number of languages used for advertising international bidding.

ACTION REQUIRED OF THE BOARD

9. In compliance with the provisions of the statute of JIU and resolution 48/221 of the General Assembly providing that the recommendations made by JIU should be considered and approved by Member States prior to their implementation by the organizations, the Board may wish to review the recommendations of JIU together with the views of UNIDO thereon.